Public Service Superannuation Plan
Trustee Inc.

2013-14

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION PLAN annual report

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To learn more about your Public Service Superannuation Plan contact:

Pension Services Corp. provides service by telephone, online, mail, or in person.

1-800-774-5070 (toll free in NS)
902-424-5070 (outside NS)
902-424-0662 (Fax)

Purdy's Landing, Suite 400,
1949 Upper Water Street,
Halifax, NS B3J 3N3

NEW pensionsinfo@nspension.ca

8:00 AM to 5:00 PM,
Monday to Friday

novascotiapension.ca/publicserviceplan

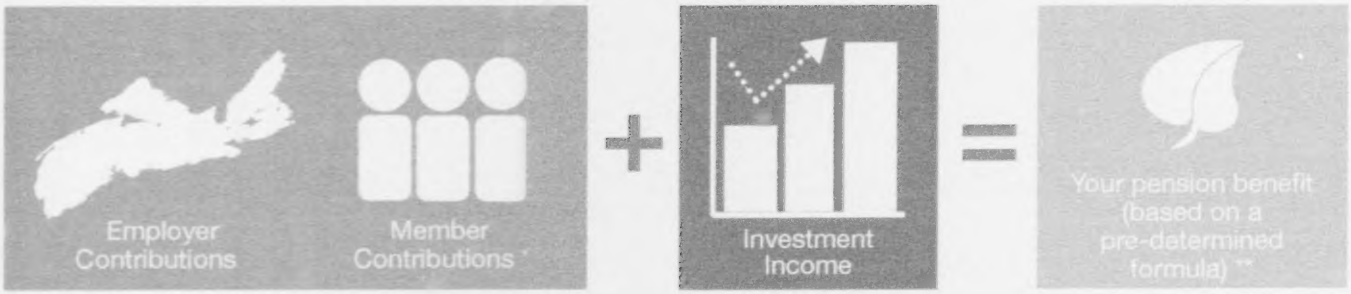
All information presented in this document is premised on the Plan rules and criteria which currently exist under the *Public Service Superannuation Act (PSSA)* and the Regulations made thereunder. This document explains in plain language the financial status of the Nova Scotia Public Service Superannuation Plan. Plan members, beneficiaries, and others who wish to determine their legal rights and obligations under the Plan should refer to the *PSSA*, the Plan Regulations, or other legal documents as appropriate. In the event of a discrepancy between the information provided in this document and the legislation and/or legal documents, the latter takes precedence.

YOUR PUBLIC SERVICE SUPERANNUATION PLAN

The Nova Scotia Public Service Superannuation Plan (Plan or PSSP) is one of the largest public sector pension plans in the province. The Plan is a registered defined benefit pension plan that offers you a lifetime pension benefit when you retire. It serves an important part in helping you achieve financial security in your retirement years. This Annual Report details the Plan's investment performance and financial health as at March 31, 2014.

How your Public Service Superannuation Plan works:

Your pension benefit is funded by contributions made by you and your employer, as well as investment income generated by the Plan's investment assets.


Employer Contributions
Member Contributions *
Investment Income
Your pension benefit (based on a pre-determined formula) **

* *The contributions you make to the Plan today will make it possible for you to receive a pension benefit when you retire.*
** *The pre-determined formula is based on your pensionable earnings and years of service.*

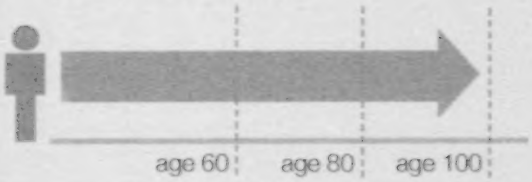
THE *CHANGING LANDSCAPE* OF DEFINED BENEFIT PENSION PLANS

In 1941, the Public Service Superannuation Plan was established by the *Public Service Superannuation Act (PSSA)*. The PSSP was designed to provide employees of the Province and certain other public sector organizations with a retirement income during their lifetime.

Over the decades, pension plans have faced economic, demographic, political, and social challenges and many have had to evolve to remain affordable, relevant, and sustainable. Today, pension plans continue to face unprecedented demographic and economic challenges. The impact of these challenges has put strain on the funded status of the PSSP in recent years.

Here are the contributing factors to these challenges and how they impact the PSSP:

Retirees are living longer and pensions are being paid for longer than ever before.



Record Low Interest Rates

When interest rates are low, the Plan's pension *liabilities* increase and make it more costly to fund future pension benefits.

The PSSP is a **mature pension plan.**

This means the number of retirees and employees near retirement is significantly greater than the number of younger Plan members.

Mature plans usually pay out more to pensioners than they receive in contributions from members and employers.

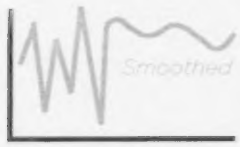
PSSP's 2013-14 PERFORMANCE *AT A GLANCE*

The Plan's *funded ratio* (smoothed) was 98.6 per cent as of March 31, 2014.

Since 2010, the Plan reports its *assets* in the actuarial valuation on a smoothed basis. On a market value basis, the Plan had a *funded ratio* of 104.4 per cent as of March 31, 2014.

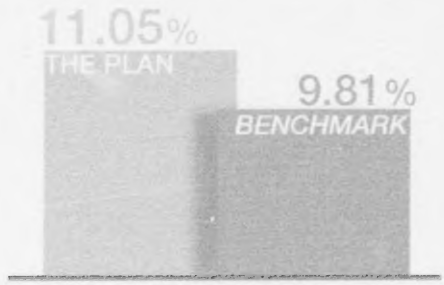
WHAT IS SMOOTHING?

- It is a method of evening out the *volatility* in investment gains or losses.
- It increases stability over short periods (5 years with the PSSP).
- It spreads out the impact of market swings and other variations, keeping the pension plan more stable over the short term.



INVESTMENT RETURN

For year-ended March 31, 2014, the Plan achieved a positive *return* on investments of 11.05 per cent. This is above the *benchmark* of 9.81 per cent. Investment returns are reported *gross of investment management fees*.



2013-14 OVERVIEW

BENEFITS PAID: $279 million

CONTRIBUTIONS TO THE PLAN:

Members: $87 million

Employers: $87 million

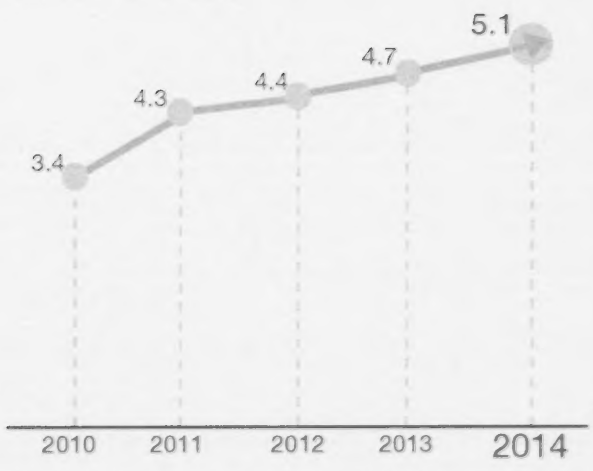
UNFUNDED *LIABILITY*

$ Millions at March 31

The Plan had an *unfunded liability* of $67.0 million, a decrease of $87.6 million over the previous year. For more information on the Plan's *unfunded liability*, see page 9.

NET *ASSETS* AVAILABLE FOR BENEFITS

$ Billions at March 31



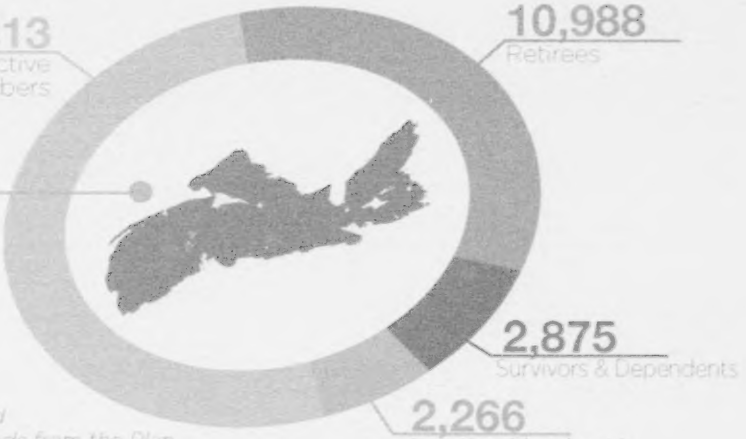
Since 2010, net assets available for benefits have increased by $1.7 billion.

2013-14 PSSP MEMBERSHIP *IN REVIEW*

As at December 31, 2013, the Plan had a total of

32,442
Plan Members

The number of retirees grew by 420 to 10,988, while the number of active Plan members decreased by 96 to 16,313.



** Inactive members are Plan members who have terminated employment, but have not yet retired or removed their funds from the Plan*

As at December 31, 2013, the Plan had
1.18 active members for 1 retiree.

A low ratio of working-to-retired members creates a greater impact on active Plan members to cover any shortfalls or investment losses.

MEMBERSHIP FACTS:

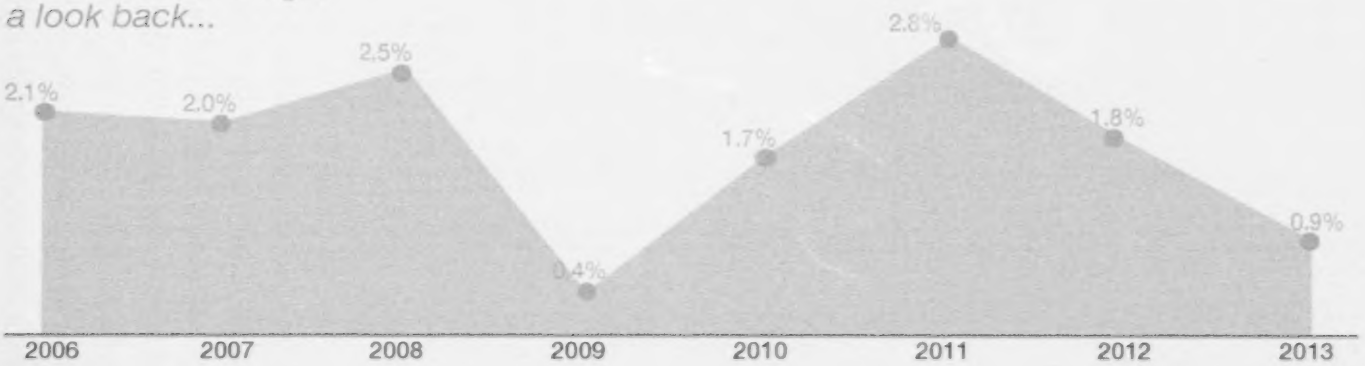
47.7	Average age of an active member
69.6	Average age of a retired member
696	New Retirees in 2013
11	Pensioners over 100 years of age
$18,819	Average annual lifetime pension (retired member)

COST OF LIVING ADJUSTMENT (*INDEXING*) *and how it relates to the CPI*

The Cost of Living Adjustment (*indexing*) rate is closely linked to the funded health of the Plan and is assessed every 5 years. For the next 5-year cycle, which is January 1, 2016 to December 31, 2020, the *indexing* rate will depend on the funded health of the Plan as of December 31, 2014.

Future *indexing* may only be provided if the Plan is fully funded and if determined to be prudent by the Public Service Superannuation Plan Trustee Inc. (PSSPTI). If *indexing* is approved by PSSPTI, it will not exceed 50 per cent of the previous 5-year average *Consumer Price Index* (*CPI*).

CPI annual average:
a look back...



'Together, we continue to focus on the core strategic goal of achieving retirement security for today's Plan members and generations yet' to come.'

MESSAGE FROM THE CHAIR

Ronald Smith, FCA, ICD.D

On behalf of the Public Service Superannuation Plan Trustee Inc., I am pleased to present the annual report of the Plan for the fiscal year-ended March 31, 2014. This report provides you with details on the financial health of the Public Service Superannuation Plan and a comprehensive review of its investment activities.

In 2013-14, the Plan achieved a significant rate of return on investments of 11.05 per cent, generating $513.6 million in total investment income. The total net assets for the Plan reached $5.1 billion and, as of March 31, 2014, the Plan was approximately fully funded.

April 1, 2014 marked the one year anniversary of the establishment of the PSSPTI. I am proud of the progress we have achieved in our first year as your Plan's Trustee. During our first year we completed an in-depth review of all investment policies and also created several new governance, communications, and director education policies. Furthermore, key performance reporting from Pension Services Corp. was implemented.

We also focused on measures to strengthen our communication channels with the PSSP membership and stakeholders. These measures included the initial development of a Member Engagement strategy, improving member education in our publications, and enhancing member services online with a new website that will be launched in the fall of 2014.

In 2014-15, one of our priorities will be to prepare for the first 5-year review of potential changes to the Cost of Living Adjustment (indexing) rate, Plan benefits, and contribution rates. Throughout the review process, the highest priority will be given to the Plan's long term financial health and sustainability.

The PSSPTI has also begun to evaluate actions which might be taken to help address the Plan's aging demographic profile. The Plan is one of the most mature public sector defined benefit pension plans in the country. This means the number of retirees and employees near retirement is significantly greater than the number of younger Plan members.

The PSSPTI understands the challenges that the Plan is facing. Our Directors bring a variety of perspectives and experience to the Trustee table. Together, we continue to focus on the core strategic goal of achieving retirement security for today's Plan members and generations yet to come.

In conclusion, I would like to thank the Pension Services Corp. team for supporting the PSSPTI in 2013-14. Their commitment to solid investment management and dedication to providing high-quality Plan member services has helped to make the PSSPTI's first year a successful one.

NOVA SCOTIA PENSION SERVICES CORPORATION

Steven R. West, Chief Executive Officer

The team at Nova Scotia Pension Services Corporation worked closely with the PSSPTI during this first year to help develop and enhance their governing policies. Under the direction and oversight of the PSSPTI, we look forward to continuing to work to improve our service delivery to Plan members. Of equal importance, we will continue to strengthen our internal processes to drive more nimble investment recommendations and risk management practices.'

PLAN GOVERNANCE

who manages the PSSP & HOW IT IS ADMINISTERED

Public Service Superannuation Plan Trustee Inc. is the Trustee of the Public Service Superannuation Plan (PSSP) and the Public Service Superannuation Fund. The PSSP is governed by the *Public Service Superannuation Act*.

The Board of Directors of Pension Services Corp. (Board) includes directors from the PSSPTI and the Teachers' Pension Plan Trustee Inc. (TPPTI). The Board oversees the overall operations and management of Nova Scotia Pension Services Corporation (Pension Services Corp.).

Pension Services Corp. is jointly owned by the PSSPTI and TPPTI to administer the pension benefits and investment assets of the PSSP and the Teachers' Pension Plan. The chart below explains the roles and responsibilities of each entity involved in the Plan's governance structure.

PSSPTI*

- Fiduciary responsibility for the Plan and investment assets
- Responsible for the Plan's overall operations and investment decisions
- Sets policy framework and strategic direction for the investment assets

* Includes representatives from the NSGEU, NSGREA, CUPE, Local 1867, Retirement employees, and the NS Government

The PSSPTI oversees all aspects of the Plan through three committees:

AUDIT, ACTUARIAL, AND RISK
Reviews and recommends approval of the Plan's financial statements, audits, actuarial assumptions, and actuarial valuations.

GOVERNANCE, COMMUNICATIONS, AND MEMBER SERVICES
Ensures the Trustee's duties and responsibilities are clear and sets the goals for Plan administration.

INVESTMENT
Reviews, monitors and approves all investment management policies.

THE BOARD OF DIRECTORS OF PENSION SERVICES CORP.

- Oversight of Pension Services Corp.
- Sets strategic direction, approves operational budget, and makes key decisions
- Is comprised of joint representation from the PSSPTI and the Teachers' Pension Plan Trustee Inc.

nspension Services Corporation

- Manages day-to-day operation of Plan investments and benefit administration
- Provides Plan member, retiree, and employer services*

* See page 8 for more information on these services.

PUBLIC SERVICE SUPERANNUATION PLAN TRUSTEE INC.

BOARD OF DIRECTORS *(at March 31, 2014)*

Public Service Superannuation Plan Trustee Inc. is comprised of an independent Chair and 12 directors, who represent the NSGEU, NSGREA, CUPE Local 1867, non-union employees, and the Nova Scotia Government.

PSSPTI directors are senior representatives from each stakeholder group and have extensive experience in a wide range of disciplines required to oversee the PSSP. Directors are appointed for limited terms and can serve up to a maximum of 10 consecutive years.

The PSSPTI meets five to six times a year. Directors also attend several committee meetings and various educational training sessions throughout the year.

RONALD SMITH
FCA, ICD.D.

The Chair is an Ex-Officio member on all committees

CHAIR

DOUG MOODIE
Senior Solicitor, Dept. of Justice

PSSPTI Vice-Chair

Committee:
- Investment

EMPLOYEE/ EMPLOYER REP.

NANCY MacLELLAN
Associate Deputy Min., Community Services

PSSPTI Vice-Chair

Committee:
- Governance, Chair

NON-BARGAINING UNIT REP.

LEO McKENNA
Chief Financial Officer, Workers' Compensation Board

Committee:
- Investment, Chair

EMPLOYEE/ EMPLOYER REP.

PAUL HAGEN
Coord., SAP Business Support Ctr., Dept. of Education

Committee:
- Audit, Actuarial, and Risk, Chair

NSGEU REP.

BYRON RAFUSE
Associate Deputy Min., Dept. of Finance and Treasury Board

Committee:
- Audit, Actuarial, and Risk

EMPLOYEE/ EMPLOYER REP.

KEIREN TOMPKINS
Executive Director, NSGEU

Committee:
- Governance

NSGEU REP.

CATHY RANKIN
Benefits Manager, Public Service Commission

Committee:
- Governance

EMPLOYEE/ EMPLOYER REP.

DAVE PETERS
Retired, NS Government Retired Employees Association

Committee:
- Investment

NSGREA REP.

MIKE MacISAAC
NS Highway Workers/ CUPE Local 1867

Committee:
- Audit, Actuarial, and Risk

CUPE REP.

CHRIS DALY
Associate Deputy Min., Dept. of Economic and Rural Development and Tourism

Committee:
- Audit, Actuarial, and Risk

EMPLOYEE/ EMPLOYER REP.

IAN JOHNSON
Servicing Coordinator/ Policy Analyst, NSGEU

Committee:
- Investment

NSGEU REP.

CYNTHIA YAZBEK
Executive Director, Employee Relations, Public Service Commission

Committee:
- Governance

EMPLOYEE/ EMPLOYER REP.

PENSION SERVICES CORPORATION *CLIENT SERVICES*

Nova Scotia Pension Services Corporation's Client and Employer Service teams are responsible for providing pension services to Plan members, retirees, and employers. These services include:

- providing pension estimates
- explaining retirement options
- maintaining contact and beneficiary information
- updating pension payment information
- publishing Plan member communication material such as newsletters and Annual Statements
- assisting employers with payroll and data remittances

CLIENT SERVICES
2013-14 Results:

14,949 CALLS

90% OF CALLS WERE ANSWERED IN LESS THAN 20 SECONDS

24 PRE-RETIREMENT SEMINARS

2013-14 RECIPROCAL TRANSFERS:

IN to the Plan **53**

33 OUT of the Plan

'With the growing interest in pension and retirement planning, we continue to develop new communications and support services to be of assistance to our members, retirees, and employers. As we improve our web client services, we will look for ways to interact even more with our members at all stages of their careers.'

- KIM BLINN,
Chief Pensions Officer

ENHANCING MEMBER SERVICES

Our Technology Project remains underway. We are on budget and are meeting our targets.

Beginning in the spring of 2015, Plan members will receive an improved, redesigned Annual Statement.

Also in 2015, a secure website will provide Plan members access to their personal pension information online, anytime, anywhere.

visit *novascotiapension.ca/publicserviceplan*

At *novascotiapension.ca/publicserviceplan* you will find helpful information and resources about your PSSP, including:

- *Public Service Superannuation Act* and Regulations
- Frequently Asked Questions
- Newsletters and other publications
- Your Member Guide
- Quarterly investment reports
- Public Service Pension Estimate Calculator
- Contact information for Canada Pension Plan (CPP) and other Pension Authorities

PLAN VALUATION

The Plan's fiscal year-end is March 31. As at March 31, 2014, the Plan had total *liabilities* of approximately $4.9 billion and an *unfunded liability* of $67 million. The *funded ratio* increased to 98.6 per cent from 96.7 per cent in 2013. On a market value basis, the Plan had a *funded ratio* of 104.4 per cent as at March 31, 2014.

The Plan Valuation was completed at December 31, 2013, with Plan *liabilities* extrapolated to March 31, 2014.

The *funded ratio* is equal to the Plan's *assets* divided by the Plan's *liabilities*, expressed as a percentage. A *funded ratio* of 100 per cent or more means that the Plan is fully funded (i.e. there are sufficient *assets* to cover *liabilities*, based on current market value, and actuarial assumptions).

The Plan's *unfunded liability* was reduced over the previous year primarily because of strong investment performance. This was partially offset by updated mortality assumptions and the impact of other experience gains and losses.

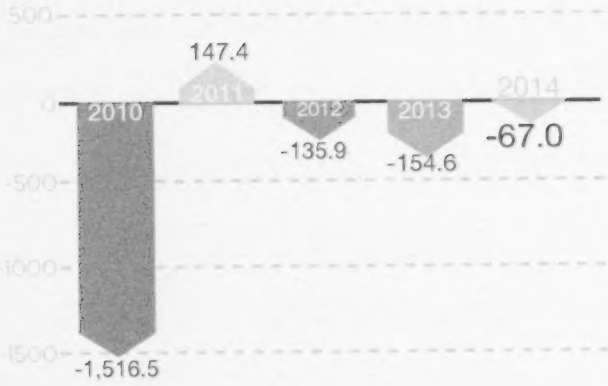
Please refer to the Actuarial Valuation Report for additional information, which you can view at:

novascotiapension.ca/publicserviceplan/publications/actuarialvaluation

The Plan reports its *assets* on a smoothed basis.

UNFUNDED *LIABILITY*

$ Millions at March 31



How to calculate an unfunded liability...

A Plan's surplus/deficit is calculated by deducting the Plan's *liabilities* from the Plan's *assets*. When the Plan's *liabilities* exceed the Plan's *assets*, the Plan is said to have an *unfunded liability*.

As at March 31

All Figures are rounded to the nearest $100,000.

INVESTMENT MANAGEMENT
DISCUSSION & ANALYSIS

OVERVIEW

The primary goal of the Public Service Superannuation Fund (Fund) is to invest pension *assets* in a manner that maximizes investment returns, within an acceptable level of risk, which enables the Fund to meet the long term funding requirements of the Plan.

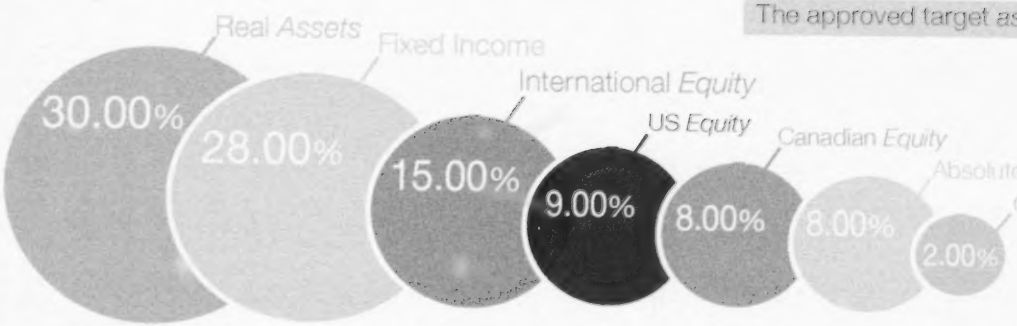
This section explains how the Plan's Fund is invested, how it performed in 2013-14, and the factors that influenced its investment performance

The investment of pension *assets* is guided by the Fund's Statement of Investment Policies & Goals (SIP&G) as written by the Public Service Superannuation Plan Trustee Inc. The SIP&G sets out the parameters within which the investments may be made. These parameters include permissible investments and the policy *asset mix* of the four main *asset* classes: *equities*, fixed income, *real assets*, and absolute return strategies. The Investment Beliefs, also found within the SIP&G, state the general principles upon which investments are made.

ASSET MIX

In 2010, the PSSPTI approved a new policy *asset mix* (*benchmark*) for the Fund. The objective of the new *benchmark* is to improve the risk/return profile of the Fund through enhancement of investment returns while lowering risk through reduced *equity* exposure and increased diversification of invested *assets*.

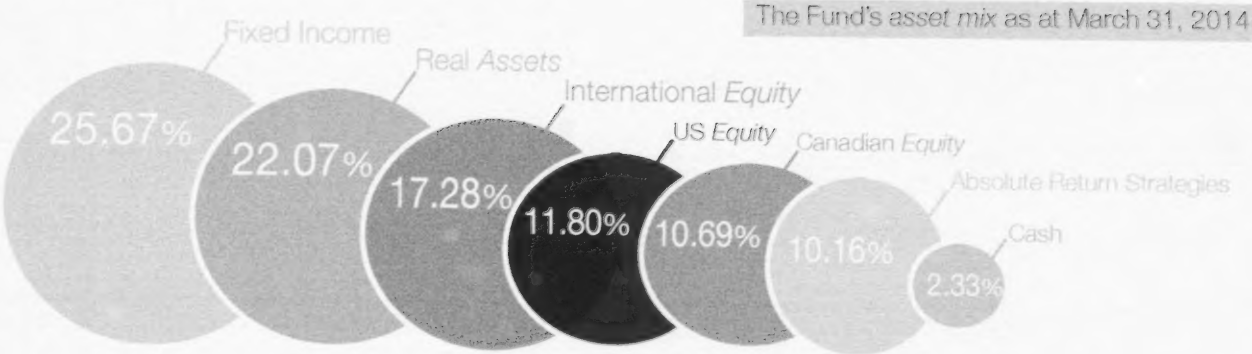
The approved target *asset mix* (*benchmark*)



With the bulk of the *benchmark* transition completed in 2011-12, achieving the targeted allocations for real estate and infrastructure of 12 per cent and 8 per cent, respectively, has been slower given the nature of these *assets*. During the past year the real estate portfolio has continued to grow as investments were made in directly-held properties and a new real estate fund. Commitments to infrastructure funds were drawn down throughout the year allowing the infrastructure portfolio to continue to grow toward its targeted weight.

From a tactical perspective, throughout 2013-14 the Fund maintained various *overweight* and *underweight* positions versus the Fund's *benchmark*. An *overweight* position in *equities* and *underweight* positions in fixed income and real return bonds were held due to expectations of strong *equity* markets and higher interest rates. These positions allowed the Fund to add value above the *benchmark* and to benefit from strong investment manager performance.

The Fund's *asset mix* as at March 31, 2014



INVESTMENT MANAGEMENT
DISCUSSION & ANALYSIS

2013-14 INVESTMENT PERFORMANCE

In 2013-14, the Fund achieved a one year return of 11.05 per cent, *gross of investment management fees*. With global *equity* markets having what economists termed a "banner year", the Fund outperformed the policy *benchmark* of 9.81 per cent.

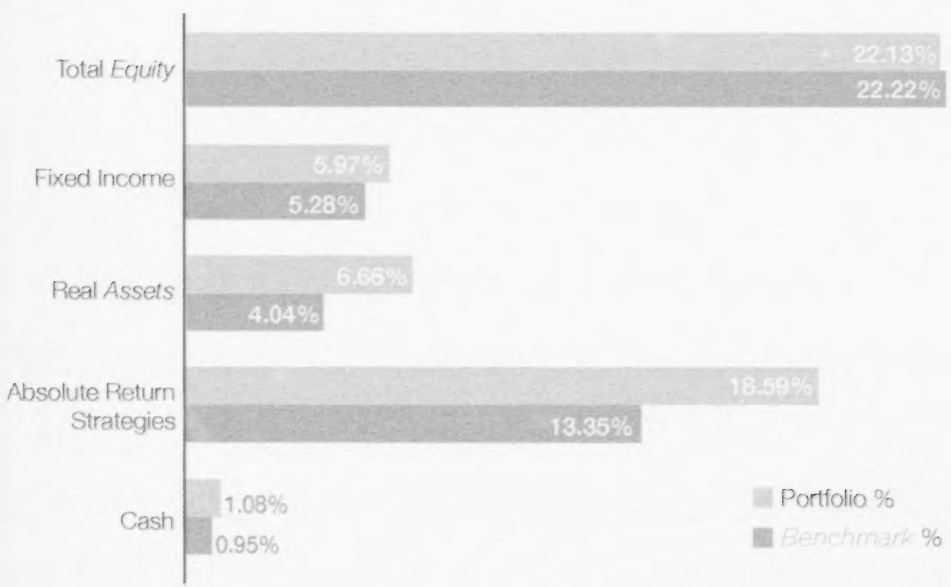
Elizabeth Vandenberg, *CFA*
Chief Investment Officer

The strong performance of global *equity* markets, especially in developed economies, was a significant contributor to the Fund's performance in 2013-14. Despite headwinds including Russia's annexation of Crimea and the reduction of U.S. stimulus, global *equities* generated strong returns. *Equity* markets were led by Japan, as its central bank overhauled its monetary and fiscal policies to pull its economy out of a two decade long stagnation. European stock markets also experienced strong performances as fears of a Eurozone breakup subsided and the single currency area showed signs of emerging from recession.

Conversely, it was a challenging year for fixed income *assets*, as speculation early in the year that the U.S. Federal Reserve would reduce its stimulus program impacted bond markets. Longer-term and interest-rate sensitive securities were the hardest hit, as investors saw the actions of the U.S. Federal Reserve as a threat to long dated bonds. However, long-term bonds have rebounded since January 2014 on weakness in the U.S. economy and as investors anticipate a European quantitative easing program in the coming months to head off deflation.

In 2013-14, active management in Canadian *equities*, U.S. *equities*, and fixed income was strong as investment managers were able to provide value over and above strategy *benchmarks*. The Fund's real estate portfolio also made a significant contribution to investment performance for the year as it experienced solid returns. Absolute return strategies and infrastructure also had strong returns, helping to balance weakness in the Fund's real return bonds.

The graph below shows the Fund's *asset* class performance for 2013-14 (gross of fees).



DID YOU KNOW?

You can view the PSSP's Quarterly Investment Reports online at:

novascotiapension.ca/publicserviceplan/investmentreports

INVESTMENT MANAGEMENT
DISCUSSION & ANALYSIS

ECONOMIC AND KEY EVENTS BRIEFING

Global economic growth continued to slow in 2013, declining from 3.1 per cent in 2012 to 3.0 per cent. Prospects of monetary policy normalization in developed economies impacted fixed income and currency markets and led to a slowdown in economic output in emerging markets. Despite slowing economic growth, *equity* markets posted some of the best returns since the start of the recovery in 2009. Developed economies began exiting stimulus programs and the Eurozone began to emerge from recession.

Growth in the Canadian economy was muted in 2013, with the *Gross Domestic Product (GDP)* increasing to 2.0 per cent compared with 1.7 per cent in 2012. Despite this, the S&P/TSX Composite Index was up 12.4 per cent for the year-ended March 31, 2014. The International Monetary Fund estimates growth will increase moderately over the next two years, rising to 2.2 per cent in 2014 and 2.3 per cent in 2015. Persistent weakness in the global economy, high levels of household debt and weak commodity prices represent the main headwinds for the Canadian economy in the coming year.

Growth in the U.S. economy slowed in 2013, with *GDP* increasing by 1.9 per cent compared with 2.8 per cent in 2012. U.S. *equity* markets have stalled in recent months as a colder than normal winter, U.S. Federal Reserve tapering, and a strong run in *equities* in 2013 has tempered investors' expectations. The S&P 500 Index had solid returns, posting a 19.3 per cent return for the year-ended March 31, 2014 as the economic recovery continued to inch forward. The U.S. economy is expected to continue to gain traction in 2014, with growth recovering to 2.8 per cent in 2014 and accelerating to 3.0 per cent in 2015. Heading into the coming year, the primary risk facing the U.S. economy is centered on the exit from quantitative easing, as the U.S. Federal Reserve moves forward with its tapering program.

In Europe, the European Central Bank has moved to cut interest rates as a strengthening Euro and weak domestic demand threaten to push the region into a period of deflation and stagnation. For 2013, *GDP* contracted by 0.5 per cent, following a 0.7 percent contraction in 2012. The International Monetary Fund anticipates that the economy will return to growth in 2014, projecting low but positive growth of 1.2 per cent in 2014 and 1.5 per cent in 2015. As the Eurozone emerges from recession, it continues to face a protracted economic downturn as a mix of high unemployment, low inflation, and high government debt burdens and related austerity programs will limit growth and generate a drag on the region in 2014 and beyond. The ongoing problems in Russian and Ukraine will also continue to challenge the region.

HIGHLIGHTS:

- *Global economic growth declined in the year-ending 2013-14 due to weakness experienced across developed and emerging markets.*
- *Despite slower economic growth, equity markets performed well for the year-ended March 31, 2014.*
- *The International Monetary Fund expects that global economic output will increase by 3.6 per cent in 2014.*

ECONOMIC AND KEY EVENTS BRIEFING *continued...*

Growth in emerging market economies continued on a downward trend, declining from 5.0 per cent in 2012 to 4.7 percent in 2013. In China, structural and policy reforms designed to slow credit growth and raise the cost of capital have depressed *GDP* growth in the short term. Growth in China was 7.7 per cent in 2013, flat compared to 2012, as the country continues to shift its focus away from investment and exports towards domestic consumption. The International Monetary Fund projects that emerging markets will grow by 4.9 per cent and 5.3 per cent in each of the next two years, respectively. Besides growth concerns, emerging markets are at risk for sharp currency depreciations, capital outflows, and geopolitical uncertainty.

The global economic picture has deteriorated in the most recent quarter, with the International Monetary Fund decreasing its 2014 growth forecast by 0.1 per cent. It is now expected that global economic output will increase by 3.6 per cent in 2014 and by a further 3.9 per cent in 2015, driven primarily by strengthening in developed economies. The global economy faces headwinds from a number of sources, including structural and financial reforms and unbalanced growth as developed economies begin to exit stimulus measures adopted following the financial crisis. A low inflationary environment, low economic growth in advanced economies, political instability, and capital outflows in emerging market economies may also pose downside risk in the coming year.

ANNUAL PERFORMANCE

Fiscal year-ending March 31

Investment returns are reported gross of investment management fees

ANNUALIZED PERFORMANCE

Fiscal year-ending March 31, 2014

	1 year	4 year	10 year
Fund	11.05%	9.04%	6.45%
Benchmark	9.81%	7.95%	6.21%

INVESTMENT MANAGEMENT
DISCUSSION & ANALYSIS

2013-14 INVESTMENT ACCOMPLISHMENTS

In 2013-14, the Fund undertook additional steps to implement the policy *asset mix*.

- The real estate portfolio continued to evolve throughout 2013-14 with a focus on non-Canadian real estate investments. The Fund contracted with a real estate advisor whose mandate is to assist the Fund with investments in directly held properties outside of Canada. This led to the acquisition of a U.S. apartment building in the fall of 2013 and the completion of underwriting for two more directly held properties in the first quarter of 2014. The Fund also began to invest in a U.S. opportunistic real estate fund. These initiatives enabled the Fund to increase the allocation to real estate and to establish further avenues for future acquisitions and investments.

- The infrastructure portfolio also continued to grow throughout the year with further investments in primary, secondary, and co-investments through existing fund commitments and relationships. Additional primary fund relationships were also identified and significant due diligence was undertaken in 2013-14 to provide for future infrastructure investments.

- Throughout 2013-14 additional initiatives were made to continue to diversify existing mandates within the Fund. A new active currency manager was hired to further diversify the currency hedging program and a new active mandate was added to the Fund's commodity portfolio.

With the implementation of the Fund's new risk system, the PSSPTI began to integrate additional risk analysis into their risk monitoring process. The following initiatives were undertaken in 2013-14:

- Development of new risk reports.
- Scenario analysis and stress testing of the Fund to consider historical and hypothetical negative market events and their impact on Fund performance.
- Development of a framework for annual policy *asset mix* reviews.

LOOKING FORWARD TO 2014-15

While 2013-14 was a strong year for the Fund, 2014-15 began with investors focusing on a number of new and old concerns that could impact performance going forward. The ability of markets to adapt to the removal of liquidity programs put in place by central banks and the strength of global growth are issues that remain from 2013. New uncertainties related to regional instability from an economic and political perspective may interfere or delay improvements in the global growth story. These issues will continue to be front and centre for the PSSPTI as they focus on risk management.

In 2014-15, the PSSPTI will continue to evolve the recent enhancements to risk reporting and risk analysis embarked upon last year. Work will be undertaken to test the decisions made in the 2010 asset allocation study and to identify any changes that may improve the Fund's risk and return profile.

GLOSSARY

Actuarial assumed rate of return: The long-term rate of return assumed by the Plan's external actuary in determining the value of the Plan's *liabilities*.

Asset(s) Financial and real items owned by the Plan which have a monetary value, including cash, stocks, bonds, real estate, etc.

Asset mix: The allocation of funds to be used for investment purposes between different types of *assets*, including cash, stocks, bonds, real estate, etc.

Benchmark: A standard against which the performance of the Plan's *return on investments* can be measured.

Consumer Price Index (CPI): An indicator of changes in prices experienced by consumers over time. It is used as a gauge of increases or decreases in the cost of living of consumers over time.

Equity(ies): Common or preferred stock representing ownership in a company.

Funded ratio: A ratio of the Plan's *assets* to *liabilities*, expressed as a percentage. A ratio above 100 per cent indicates that the Plan has more *assets* than required to fund its future estimated *liabilities*.

Gross Domestic Product (GDP): Is the total market value of all final goods and services produced in a country in a given year. *GDP* is one of the primary indicators used to gauge the health of a country's economy.

Gross of investment management fees: Refers to the fact that the *return on investments* is reported before the deduction of management fees or expenses.

Indexing: Refers to the linking of retirement payments made to existing retirees with overall price increases in the economy, as measured by the *Consumer Price Index*.

Liabilities: An estimate of the current value of future obligations of the Plan as a result of retirement commitments made to past, current, and future employees.

Overweight/Underweight: Refers to the difference relative to the *benchmark* portfolio. *Underweight* indicates less than the *benchmark*, while *overweight* indicates more than the *benchmark*.

Return on investments: A performance measure used to evaluate the efficiency of the Plan's investments, expressed as a percentage gain or loss on the initial investment at the beginning of the period.

Unfunded liability: An *unfunded liability* is present when the Plan's *funded ratio* is below 100 per cent. The *unfunded liability* is a measure, in dollars, of the amount by which the Plan's *liabilities* exceed its *assets*.

Volatility: A measure of the variation in the price of a security or the returns of the Plan. High *volatility* indicates increased risk.

Financial Statements of

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION PLAN

Year ended March 31, 2014

KPMG LLP
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Public Service Superannuation Plan Trustee Inc.

We have audited the accompanying financial statements of the Nova Scotia Public Service Superannuation Plan, which comprise the statement of financial position as at March 31, 2014, and the statements of changes in net assets available for benefits, changes in pension obligations and changes in surplus for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Nova Scotia Public Service Superannuation Plan as at March 31, 2014, and the changes in its net assets available for benefits and the changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Accountants
June 26, 2014
Halifax, Canada

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NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION PLAN

Financial Statements

Year ended March 31, 2014

Financial Statements

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NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION PLAN

Statement of Financial Position
(in thousands of dollars)

March 31, 2014, with comparative information for 2013

	2014	2013
Net Assets Available for Benefits		
Assets		
Cash	$ 42,766	$ 35,308
Contributions receivable:		
Employers'	6,560	5,274
Employees'	5,878	4,673
Receivable from pending trades	15,833	5,922
HST receivable	813	-
Due from administrator (note 13)	1,688	149
Deposits on pending investment purchases (note 3)	4,415	-
Accrued investment income	20,004	18,461
Investments (notes 4 and 5)	5,021,978	4,666,397
Total assets	5,119,935	4,736,184
Liabilities:		
Pension benefits payable	$ -	$ 195
Payable for pending trades	8,585	16,674
Accounts payable and accrued liabilities	7,656	10,179
Total liabilities	16,241	27,048
Net assets available for benefits	5,103,694	4,709,136
Present value of expected instalment payments (note 6)	404	470
Fair value of net assets available for benefits	$ 5,104,098	$ 4,709,606
Accrued Pension Obligation and Surplus (Deficit)		
Accrued pension obligation (note 7)	4,890,120	4,686,652
Surplus (deficit):		
Funding deficit (note 7)	(66,953)	(154,559)
Actuarial value adjustment of net assets (notes 2 and 7)	280,931	177,513
	213,978	22,954
Commitments (note 8)		
Accrued pension obligation and surplus	$ 5,104,098	$ 4,709,606

See accompanying notes to financial statements.

On behalf of the Board:

Original signed by Ronald E. Smith Chair, Public Service Superannuation Plan Trustee Incorporated

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION PLAN

Statement of Changes in Net Assets Available for Benefits
(in thousands of dollars)

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Increase in Assets		
Contributions (note 9)	$ 178,797	$ 172,746
Transfers from other pension plans	3,014	7,952
Investment activities (note 4)	124,859	118,380
Change in market value of investments (note 4)	388,714	325,897
Total increase in assets available for benefits	695,384	624,975
Decrease in Assets		
Benefits paid (note 10)	279,204	266,221
Transfers to other pension plans	2,604	2,515
Administrative expenses (note 11)	19,018	16,422
Total decrease in assets	300,826	285,158
Net increase in net assets available for benefits	394,558	339,817
Net assets available for benefits, beginning of year	4,709,136	4,369,319
Net assets available for benefits, end of year	$ 5,103,694	$ 4,709,136

See accompanying notes to financial statements.

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION PLAN

Statement of Changes in Pension Obligations
(in thousands of dollars)

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Accrued pension obligation, beginning of year	$ 4,686,652	$ 4,541,817
Increase in accrued pension benefits:		
Interest on accrued pension obligation	304,632	299,760
Contributions and transfers from other pension plans	181,811	180,698
Changes in actuarial assumptions	16,114	21,095
	502,557	501,553
Decrease in accrued pension benefits:		
Benefits paid (note 10)	(279,204)	(266,221)
Net experience gains and losses	22,570	(50,861)
Transfers to other pension plans	(2,604)	(2,515)
Contributions in excess of current service cost	(39,851)	(37,121)
	(299,089)	(356,718)
Net increase in accrued pension benefits	203,468	144,835
Accrued pension obligation, end of year (note 7)	$ 4,890,120	$ 4,686,652

Statement of Changes in Surplus (Deficit)
(in thousands of dollars)

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Surplus, (deficit) beginning of year	$ 22,954	$ (171,812)
Net increase in net assets available for benefits	394,558	339,817
Net decrease in present value of instalment payments	(66)	(216)
Net increase in accrued pension obligation	(203,468)	(144,835)
Surplus, end of year	$ 213,978	$ 22,954

See accompanying notes to financial statements.

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION PLAN

Notes to Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

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1. Authority and description of Plan:

The Public Service Superannuation Plan (the "Plan"), and its funding vehicle, the Public Service Superannuation Fund (the "Fund") were established by the Public Service Superannuation Act (the "Act"). The Public Service Superannuation Plan is a pension plan that covers employees of the Province of Nova Scotia (the "Province") and certain other public sector organizations. The detailed provisions of the Plan, including pension eligibility criteria and benefit formulas, are also contained in the Act and in the Regulations made under the Act. Public Service Superannuation Plan Trustee Inc. (2013 - Minister of Finance, Province of Nova Scotia) is the Trustee of the Plan and the Fund.

Effective April 1, 2013, the Plan and the Fund transitioned to a new joint governance structure. The newly created Public Service Superannuation Plan Trustee Inc. ("PSSPTI") assumed fiduciary responsibility for the Plan and the Fund from the Minister of Finance. As of April 1, 2013 the Minister of Finance no longer has legal liability for the Plan and the Fund. These changes are outlined in the 2012 Public Service Superannuation Act ("PSSA"). That act repealed the then existing Public Service Superannuation Act and replaced it with a new Public Service Superannuation Act.

The following description is a summary only. For more complete information, reference should be made to the PSSA and Regulations.

General:

The PSSPTI is responsible for the administration of the Plan and the investment management of Fund assets. The investment of the Fund assets is guided by the Fund's Statement of Investment Policies & Goals (the "SIP&G") as written by the PSSPTI. The SIP&G sets out the parameters within which the investments are made. These parameters include permissible investments and the policy asset mix. The Investment Beliefs, also found within the SIP&G, state the general principles upon which the investments are made.

Eligibility:

All employees of the Province (and other participating employers) as defined in accordance with the Plan provisions must join the Plan on the date of their employment.

Funding:

The Plan is funded by investment earnings and employee and matching employer contributions of 8.4% of salary up to the Year's Maximum Pensionable Earnings (the "YMPE") and 10.9% of salary above the YMPE. The YMPE is a figure set annually by the Canada Pension Plan (the "CPP").

1. Authority and description of Plan (continued):

Retirement benefits:

The basic pension formula is 2% multiplied by the number of years of pensionable service multiplied by the highest average pensionable salary of the best five years. Vesting occurs after two years. Pensions are integrated with CPP benefits at age 65.

Plan members are eligible for a pension upon reaching any of the following criteria:

- age 50 with an age plus service factor of 80 – "Rule of 80" (age 55 with an age plus service factor of 85 for members first hired by a participating employer on or after April 6, 2010);
- age 55 with two years of service (reduced pension);
- age 60 with two years of service;

Death benefits:

Upon the death of a vested member, the surviving spouse is entitled to receive 66.67% of the member's pension benefit payable for life (60% for the surviving spouse of a member first hired by a participating employer on or after April 6, 2010). Eligible children are entitled to receive 10% of the member's pension benefit, payable until age 18 (or 25 while still in school).

Termination benefits:

Upon termination of employment, a vested member may choose to defer their pension until they satisfy one of the above eligibility criteria, or they may remove their funds from the plan in the form of a commuted value.

Refunds:

The benefit payable upon termination or death of a non-vested member, or upon death prior to retirement of a vested member with no eligible survivors, is a lump sum refund of the member's contributions with interest.

Indexing:

From January 1, 2011 to January 1, 2015, indexing of pensions in pay will be at a rate of 1.25% annually. Starting January 1, 2016, the annual rate of indexing will be set by the Trustee for five-year periods, based on the funding level of the Plan and the advice of the Plan's actuary.

2. Basis of preparation:

(a) Basis of presentation:

The Plan adopted Canadian accounting standards for pension plans in Part IV of the Canadian Institute of Chartered Accountants (CICA) Handbook, Section 4600 Pension Plans ("Section 4600"), on March 1, 2011 with a transition date of March 1, 2010. Section 4600 provides specific accounting guidance on investments and pension obligations. For accounting policies that do not relate to either investments or pension obligations, the Plan must consistently comply with either International Financial Reporting Standards ("IFRS") in Part I of the CICA Handbook or accounting standards for private enterprises in Part II of the CICA Handbook. The Plan has elected to comply on a consistent basis with IFRS in Part I of the CICA Handbook. To the extent that IFRS in Part I is inconsistent with Section 4600, Section 4600 takes precedence.

Consistent with Section 4600, investment assets are presented on a non-consolidated basis even when the investment is in an entity over which the Plan has effective control. Earnings of such entities are recognized as income as earned and as dividends are declared. The Plan's total investment income includes valuation adjustments required to bring the investments to their fair value.

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Plan as a separate reporting entity.

(b) Early adoption of IFRS 13:

The Plan elected to early adopt IFRS 13, Fair Value Measurement, on a prospective basis, commencing April 1, 2010. The mandatory application date of IFRS 13 is for fiscal years beginning January 1, 2013. The AcSB allowed early adoption for fiscal years beginning on or after January 1, 2011, which is also the effective date for Section 4600. The measurement requirements under IFRS 13 were applied consistently to the fair value of all investment assets and investment related liabilities in the periods presented in the financial statements. The definition of fair value has been amended to comply with IFRS 13. There is no impact on the values of either investment assets or investment related liabilities. As per Section 4600, the Plan is not required to comply with the disclosure requirements prescribed in IFRS 13.

These financial statements were authorized for issue by the Board of Trustees of the Public Service Superannuation Plan Trustee Inc. on June 26, 2014.

2. Basis of preparation (continued):

(c) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value through the statement of changes in net assets available for benefits and derivative financial instruments which are measured at fair value. Units of holding companies held are measured at the fair value of the underlying assets.

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Plan's functional currency.

(e) Use of estimates and judgments:

The preparation of the financial statements in conformity with Section 4600 and IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statement of financial position, the reported amounts of changes in net assets available for benefits and accrued pension benefits during the year. Actual results may differ from those estimates. Significant estimates included in the financial statements relate to the valuation of real estate, infrastructure and private equity investments and the determination of the accrued pension obligation.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

3. Significant accounting policies:

(a) Investment transactions, income recognition and transactions costs:

(i) Investment transactions:

Investment transactions are accounted for on a trade date basis.

(ii) Income recognition:

Income from investments is recorded on an accrual basis and includes interest, dividends and operating income/loss from real estate, as well as gains and losses that have been realized on disposal of investments and the unrealized appreciation and depreciation in the fair value of investments.

(iii) Transaction costs:

Brokers' commissions and other transaction costs are recorded in the statement of changes in net assets available for benefits when incurred.

(b) Foreign currency translation:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the exchange rate at that date.

Foreign currency differences arising on retranslation are recognized in the statement of changes in net assets available for benefits as a change in market value of investments.

3. Significant accounting policies (continued):

(c) Financial assets and liabilities:

(i) Non-derivative financial assets:

Financial assets are recognized initially on the trade date, which is the date that the Plan becomes a party to the contractual provisions of the instrument.

The Plan classifies all of its financial assets at fair value through the statement of changes in net assets available for benefits if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value though the statement of changes in net assets available for benefits if the Plan manages such investment and makes purchase and sale decisions based on their fair value in accordance with the Plan's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Financial assets are measured at fair value and changes therein are recognized in the statement of changes in net assets available for benefits.

(ii) Non-derivative financial liabilities:

All financial liabilities are recognized initially on the trade date at which the Plan becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position, when and only when, the Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Plan considers its amounts payable to be a non-derivative financial liability.

3. Significant accounting policies (continued):

(iii) Derivative financial instruments:

Derivative financial instruments are recognized initially at fair value and attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and all changes are recognized immediately in the statement of changes in net assets available for benefits.

(d) Fair value measurement:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Plan uses closing market price as a practical expedient for fair value measurement.

When available, the Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models.

3. Significant accounting policies (continued):

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When a transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

All changes in fair value, other than interest and dividend income and expense, are recognized in the statement of changes in net assets available for benefits as part of the change in market value of investments.

Fair values of investments are determined as follows:

(i) Fixed income securities, real return bonds and equities are valued at year-end quoted closing prices, where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities.

(ii) Short-term notes, treasury bills, repurchase agreements and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

(iii) Pooled funds are valued at the unit values supplied by the pooled fund administrator, which represent the Fund's proportionate share of underlying net assets at fair values determined using closing market prices.

(iv) The Fund holds bank sponsored asset backed commercial paper in its cash portfolios; however, exposure is limited to multi seller, multi asset conduits with global style credit facilities, thus mitigating both credit and liquidity risk. There has been no impact on the value of these assets at March 31, 2014.

3. Significant accounting policies (continued):

(v) Real estate holding companies, private equities, and infrastructure are valued based on estimated fair values determined by using appropriate techniques and best estimates by either management, appraisers, or both. Where external appraisers are engaged to perform the valuation, management ensures the appraisers are independent and compares the assumptions used by the appraisers with management's expectations based on current market conditions and industry practice to ensure the valuation captures the business and economic conditions specific to the investment.

(vi) Investments in derivative contracts, including futures, forwards and option contracts, are valued at year end quoted market prices, interest, spot and forward rates, where available. Where quoted prices are not available, appropriate alternative valuation techniques are used to determine fair value. The gains or losses from derivative contracts are included in the realized and unrealized gains or losses on investments.

(vii) Absolute return strategy investments, comprised of hedge funds, are recorded at fair value based on net asset values obtained from each of the funds' administrators. These net asset values are reviewed by management.

(viii) Commodities, comprised of pooled funds, are recorded at fair value based on the net asset values obtained from each of the funds' administrators. These net asset values are reviewed by management.

3. Significant accounting policies (continued):

(e) Non-investment assets and liabilities:

The fair value of non-investment assets and liabilities are equal to their amortized cost value and are adjusted for foreign exchange where applicable.

On March 31, 2014, the Public Service Superannuation Fund subscribed to an investment in an absolute return strategy limited partnership for settlement on April 1, 2014. Subscription monies were due in advance of the value date. This amount is represented as a deposit on pending investment purchases on the Statement of Financial Position as at March 31, 2014.

(f) Receivable/payable from pending trades:

For securities transactions, the fair value of the receivable from pending trades and the payable from pending trades approximate their carrying amounts due to their short-term nature.

(g) Accrued pension benefit obligation:

The value of the accrued pension benefit obligation of the Plan is based on a going concern method actuarial valuation prepared by an independent firm of actuaries using the projected unit credit method as at December 31 and then extrapolated to March 31. The accrued pension benefit obligation and its extrapolation is measured in accordance with accepted actuarial methods using actuarial assumptions and methods adopted by the Plan for the purpose of establishing the long term funding requirements of the Plan. The actuarial valuation and extrapolated accrued pension benefit obligation included in the consolidated financial statements is consistent with the valuation for funding purposes.

(h) Contributions:

Basic contributions from employers and members are recorded on an accrual basis. Service purchases that include but are not limited to leaves of absence and transfers from other pension plans are recorded and service is credited when the purchase amount is received.

3. Significant accounting policies (continued):

(i) Benefits:

Benefit payments to retired members, commuted value payments and transfers to other pension plans are recorded in the period in which they are paid. Accrued benefits are recorded as part of the accrued pension benefit obligation.

(j) Administrative expenses:

Administrative expenses, incurred for plan administration and direct investment management services, are recorded on an accrual basis. Plan administration expenses represent expenses incurred to provide direct services to the plan members and employers. Investment management expenses represent expenses incurred to manage the Fund. Base external manager fees for portfolio management are expensed in investment management expenses as incurred.

(k) Actuarial value of net assets and actuarial value adjustment:

The actuarial value of net assets of the Plan is used in assessing the funding position of the Plan, including the determination of contribution rates. The actuarial value of net assets is determined by smoothing investment returns above or below the actuarial long-term rate of return assumption over a five-year period. The fair value of net assets is adjusted by the unrecognized actuarial value adjustment to arrive at the actuarial value of net assets.

(l) Income taxes:

The Fund is the funding vehicle for a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly is not subject to income taxes.

3. Significant accounting policies (continued):

(m) Future changes in IFRS and new standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended March 31, 2014, and have not been applied in preparing these financial statements. Standards which may potentially have an effect on the financial statements of the Plan are as follows:

(a) Offsetting financial assets and financial liabilities:
In December 2011, the IASB issued amendments to IAS 21 Offsetting Financial Assets and Financial Liabilities ("IAS 32") and to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities ("IFRS 7"). The amendments clarify that an entity has a legally enforceable right to offset if that right is not contingent on a future event; and that right is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. These amendments also contain new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position or subject to master netting agreements or similar agreements. The disclosure amendments are effective for the fiscal year beginning January 1, 2015. The amendments may result in additional disclosures. The Plan does not expect this new standard to have a significant impact on their financial statements.

(b) Financial instruments:
In December 2011, the IASB issued IFRS 9 Financial Instruments ("IFRS 9"), which sets out requirements for the classification and measurement of financial assets and financial liabilities. This is the first phase of a three-phase project to replace the current standard for accounting for financial instruments. The new standard specifies that financial assets are to be measured at either amortized cost or fair value on the basis of the reporting entity;s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial liabilities designated at fair value through profit or loss remain generally unchanged; however, fair value changes attributable to changes in the credit risk for financial liabilities designated at fair value through profit or loss are to be recorded in other comprehensive income unless they offset amounts recorded in income. In November 2013, the IASB issued an amendment to IFRS 9 which set out in an new general hedge accounting model. The other phase of this project, which is currently under development, addresses impairment. In July 2013, the IASB tentatively decided to defer the effective date of IFRS 9 to an unspecified date pending the finalization of the impairment and hedge accounting phases of the project. The Plan has not yet

determined the impact that the current IFRS 9 or the further changes will have on the Plan's financial statements.

(c) Consolidated financial statements:
In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements ("IFRS 10"), which provides a single consolidation model that defines control and establishes control as the basis for consolidation for all types of interests. IFRS 10 is effective for the fiscal year beginning April 1, 2014. The Plan expects no significant impacts on their financial statements from the adoption of the new standard.

(d) Disclosure of interests in other entities:
In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12"), which sets out the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard requires disclosure of the nature of, and risks associated with, an entity's interests in other entities and the effects of these interests on its financial position, financial performance and cash flows. The new standard is effective for the fiscal year beginning April 1, 2014, and will result in additional disclosures.

(e) Fair value measurement:
In May 2011, the IASB issued IFRS 13 Fair Value Measurement ("IFRS 13"), which replaces the existing standard for fair value measurement. The new standard provides a common definition of fair value and establishes a framework for measuring fair value. The new standard also requires additional disclosures about fair value measurements. IFRS 13 is effective for the fiscal year beginning April 1, 2014. The adoption of the new standard will result in additional disclosures. The Plan does not expect this new standard to have a significant impact on how the Plan determines fair value.

4. Investments and derivatives:

(a) The fair value of the Fund's investments and related income is summarized in the following table:

	As at March 31, 2014		As at March 31, 2013	
	Assets	%	Assets	%
Fixed income				
Money market	$ 126,605	2.5	$ 173,268	3.7
Canadian bonds and debentures	596,783	11.9	601,647	13.0
Non-Canadian bonds and debentures	682,791	13.6	629,570	13.5
Canadian real return bonds	266,613	5.3	285,529	6.1
Equities				
Canadian	520,251	10.4	489,083	10.5
US	595,620	11.9	588,568	12.6
Global	868,401	17.3	825,215	17.7
Real Assets				
Real estate	493,617	9.8	412,389	8.8
Infrastructure	197,533	3.9	149,875	3.2
Commodities	158,513	3.2	124,176	2.7
Absolute Return Strategies				
Hedge funds	512,977	10.2	370,726	7.8
Derivatives				
Swaps, futures, options	(263)	-	628	-
Currency forwards	2,537	0.1	15,723	0.3
	$ 5,021,978	100.0	$ 4,666,397	100.0

4. Investments and derivatives (continued):

As at March 31, 2014	Investment income	Changes in market value of investments and derivatives		
		Realized	Unrealized	Total
Fixed income	$ 59,772	$ 10,227	$ (11,675)	$ (1,448)
Equities	42,173	175,136	182,841	357,977
Real Assets	19,659	(3,252)	65,598	62,346
Absolute Return Strategies	-	12,624	56,531	69,155
Derivatives	2,635	(87,105)	(12,211)	(99,316)
Other	620	-	-	-
Total	$ 124,859	$ 107,630	$ 281,084	$ 388,714

As at March 31, 2013	Investment income	Changes in market value of investments and derivatives		
		Realized	Unrealized	Total
Fixed income	$ 57,831	$ 18,211	$ 22,804	$ 41,015
Equities	44,869	(2,774)	209,357	206,583
Real Assets	11,511	(3,601)	48,483	44,882
Absolute Return Strategies	-	3,414	32,276	35,690
Derivatives	1,561	(13,299)	13,317	18
Other	2,608	4	(2,295)	(2,291)
Total	$ 118,380	$ 1,955	$ 323,942	$ 325,897

b) Derivatives:

Derivatives are financial contracts, the value of which is "derived" from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategies. The Fund utilizes such contracts to enhance investment returns and for managing exposure to interest rate and foreign currency volatility.

4. Investments and derivatives (continued):

Notional amounts of derivative contracts are the contract amounts used to calculate the cash flows to be exchanged. They represent the contractual amount to which a rate or price is applied for computing the cash to be paid or received. Notional amounts are the basis upon which the returns from, and the fair value of, the contracts are determined. They do not necessarily indicate the amounts of future cash flows involved or the current fair value of the derivative contracts. They are a common measure of volume of outstanding transactions but do not represent credit or market risk exposure. The derivative contracts become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in either market rates or prices relative to their terms. The aggregate notional amounts and fair values of derivative contracts can fluctuate significantly.

Derivative contracts, transacted either on a regulated exchange market or in the over-the-counter ("OTC") market, directly between two counterparties include the following:

Interest rate swaps

Interest rate swaps involve contractual agreements between two counterparties to exchange fixed and floating interest payments based on notional amounts. They are used to adjust interest rate yield curve exposures and substitute for physical securities. Long swap positions increase exposure to long term interest rates and short positions decrease exposure. Long swap positions are backed with high grade, liquid debt securities.

4. Investments and derivatives (continued):

Credit default swaps

Credit default swaps ("CDS") provide protection against the decline in value of the referenced asset as a result of specified events such as payment default or insolvency. The purchaser pays a premium to the seller of the CDS in return for payment related to the deterioration in the value of the referenced asset. The referenced asset for CDS is a debt instrument. They are used to manage credit exposure without buying or selling securities outright. Written CDS increase credit exposure (selling protection), obligating the Fund to buy bonds from counterparties in the event of a default. Purchased CDS decrease exposure (buying protection), providing the right to "put" bonds to the counterparty in the event of a default. Net long exposures are backed with high grade, liquid debt securities. Underlying credit exposures are continuously monitored.

Futures

Government futures are contractual obligations to either buy or sell at a fixed value (the contracted price) government fixed income financial instruments at a predetermined future date. They are used to adjust interest rate exposure and replicate government bond positions. Long future positions are backed with high grade, liquid debt securities.

Money market futures are contractual obligations to either buy or sell money market financial instruments at a predetermined future date at a specified price. They are used to manage exposures at the front end of the yield curve. Futures are based on short term interest rates and do not require delivery of an asset at expiration. Therefore they do not require cash backing.

4. Investments and derivatives (continued):

Options

Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or sell (put option), a security, exchange rate, interest rate, or other financial instrument or commodity at a predetermined price, at or by a specified future date. The seller (writer) of an option can also settle the contract by paying the cash settlement value of the purchaser's right. The seller (writer) receives a premium from the purchaser for this right. Purchased options are used to manage interest rate volatility exposures. Written options generate income in expected interest rate scenarios and may generate capital losses if unexpected interest rate environments are realized. Both written and purchased options will become worthless at expiration if the underlying instrument does not reach the strike price of the option. In the money portion of written options are covered by high grade, liquid debt securities.

Currency forwards

Currency forwards are contractual obligations to exchange one currency for another at a specified price or settlement at a predetermined future date. Forward contracts are used to manage the currency exposure of investments held in foreign currencies. The notional amount of a currency forward represents the contracted amount purchased or sold for settlement at a future date. The fair value is determined by the difference between the market value and the notional value upon settlement.

4. Investments and derivatives (continued):

The fair value of derivatives, based upon their contractual maturity, as at March 31, 2014 and 2013 are as follows:

	Under 1 year	1 to 5 years	Over 5 years	Total at March 31, 2014	Total at March 31, 2013
Interest rate swaps	-	-	-	-	428
Credit default swaps	12	(885)	611	(262)	287
Futures	141	-	-	141	80
Options	(78)	-	-	(78)	(167)
	75	(885)	611	(199)	628
Currency forwards	2,537	-	-	2,537	15,723
	$ 2,612	$ (885)	$ 611	$ 2,338	$ 16,351

Cash is deposited or pledged with various financial institutions as collateral or margin in the event that the Fund was to default on payment obligations on its derivative contracts. On the statement of financial position collateral is represented as part of the net cash balance of the Plan.

The fair value of cash held at other financial institutions as collateral or margin as at March 31, 2014 and 2013 is as follows:

	2014	2013
Collateral and margin	$ 1,732	$ 64

5. Financial instruments:

(a) Fair value:

The fair values of investments and derivatives are as described in note 3(d). The fair values of other financial assets and liabilities, being cash, contributions receivable, receivable from pending trades, HST receivable, due from administrator, accrued investment income, pension benefits payable, payable from pending trades and accounts payable and accrued liabilities approximate their carrying values due to the short term nature of these financial instruments.

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

Level 1: Fair value is based on inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the investment manager has the ability to access at the measurement date. Level 1 primarily includes publicly listed investments.

Level 2: Fair value is based on valuation methods that make use of inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Level 2 primarily includes debt securities and derivative contracts not traded on a public exchange and public equities not traded in an active market.

Level 3: Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. Level 3 primarily includes real estate, infrastructure, and private equity investments valued based on discounted future cash flow models which reflect assumptions that a market participant would use when valuing such an asset or liability.

5. Financial instruments (continued):

The following table illustrates the classification of the Fund's financial instruments using the fair value hierarchy as at March 31:

As at March 31, 2014	Level 1	Level 2	Level 3	Total
Fixed income				
Money market	$ 3,972	$ 99,903	$ 22,730	$ 126,605
Canadian bonds and debentures	301,899	294,884	-	596,783
Non-Canadian bonds and debentures	18,428	648,408	15,955	682,791
Canadian real return bonds	-	191,803	74,810	266,613
Equities				
Canadian	368,470	151,781	-	520,251
US	320,084	222,349	53,187	595,620
Global	574,260	294,141	-	868,401
Real Assets				
Real estate	-	168,255	325,362	493,617
Infrastructure	-	-	197,533	197,533
Commodities	-	158,513	-	158,513
Absolute Return Strategies				
Hedge funds	-	512,977	-	512,977
Derivatives				
Swaps, futures, options	63	(326)	-	(263)
Currency forwards	-	2,537	-	2,537
	$ 1,587,176	$ 2,745,225	$ 689,577	$ 5,021,978

5. Financial instruments (continued):

As at March 31, 2013	Level 1	Level 2	Level 3	Total
Fixed income				
Money market	$ 22,471	$ 133,038	$ 17,759	$ 173,268
Canadian bonds and debentures	324,743	276,904	-	601,647
Non-Canadian bonds and debentures	56,902	572,668	-	629,570
Canadian real return bonds	-	203,991	81,538	285,529
Equities				
Canadian	342,330	146,753	-	489,083
US	314,986	232,895	40,687	588,568
Global	535,363	289,852	-	825,215
Real Assets				
Real estate	-	155,583	256,806	412,389
Infrastructure	-	-	149,875	149,875
Commodities	-	124,176	-	124,176
Absolute Return Strategies				
Hedge funds	-	370,726	-	370,726
Derivatives				
Swaps, futures, options	-	628	-	628
Currency forwards	-	15,723	-	15,723
	$ 1,596,795	$ 2,522,937	$ 546,665	$ 4,666,397

5. Financial instruments (continued):

There were no significant transfers between level 1 and level 2 financial instruments during the year ended March 31, 2014.

The following table shows the changes in the fair value measurement in Level 3 of the fair value hierarchy:

Year ended March 31, 2014	Fixed income	Equity	Real assets	Total
Level 3 investments, April 1, 2013	$ 99,297	$ 40,687	$ 406,681	$ 546,665
Purchases	38,685	-	74,830	113,515
Sales	(18,466)	-	(1,993)	(20,459)
Realized gains (losses)	-	-	38	38
Unrealized gains (losses)	(6,021)	12,500	43,339	49,818
Level 3 investments, end of year	$ 113,495	$ 53,187	$ 522,857	$ 689,577

Year ended March 31, 2013	Fixed income	Equity	Real assets	Total
Level 3 investments, April 1, 2012	$ 97,135	$ 42,979	$ 259,122	$ 399,236
Purchases	17,759	-	122,413	140,172
Sales	(16,641)	(2,006)	(3,774)	(22,421)
Realized gains (losses)	151	(2,904)	-	(2,753)
Unrealized gains (losses)	893	2,618	28,920	32,431
Level 3 investments, end of year	$ 99,297	$ 40,687	$ 406,681	$ 546,665

5. Financial instruments (continued):

The total income from level 3 financial instruments for the years ended March 31, 2014 and 2013, respectively, was $49,856 and $29,678.

(b) Investment risk management:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate volatility, market price fluctuations, credit risk, foreign currency risk and liquidity risk. The Fund has set formal goals, policies, and operating procedures that establish an asset mix among equity, fixed income, real assets, absolute return strategy investments and derivatives that requires diversification of investments within categories, and set limits on the size of exposure to individual investments and counterparties. Risk and credit committees have been created to regularly monitor the risks and exposures of the Fund. Trustee oversight, procedures and compliance functions are incorporated into Fund processes to achieve consistent controls and to mitigate operational risk.

(i) Interest rate risk

Interest rate risk refers to the fact that the Fund's financial position will change with market interest rate changes, as fixed income securities are sensitive to changes in nominal interest rates. Interest rate risk is inherent in the management of a pension plan due to prolonged timing differences between cash flows related to the Fund's assets and cash flows related to the Plan's liabilities. To properly manage the Plan's interest rate risk, appropriate guidelines on the weighting and duration for the bonds and other fixed income investments are set and monitored.

5. Financial instruments (continued):

The following table summarizes the contractual maturities of all financial assets at March 31, by the earlier of contractual repricing or maturity dates:

March 31, 2014	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total	Average yield (%) (1)
Money market	$126,605	$ -	$ -	$ -	$ 126,605	-
Bonds and debentures	17,182	442,278	448,516	371,598	1,279,574	4.6
Real return bonds (2)	-	-	-	74,810	74,810	5.3
Total	$143,787	$442,278	$448,516	$446,408	$1,480,989	4.2

March 31, 2013	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total	Average yield (%) (1)
Money market	$165,039	$ -	$ -	$ -	$ 165,039	-
Bonds and debentures	41,805	434,284	433,856	329,501	1,239,446	3.7
Real return bonds (2)	-	-	-	81,538	81,538	0.3
Total	$206,844	$434,284	$433,856	$411,039	$1,486,023	4.0

5. Financial instruments (continued):

The fixed income maturity schedule is exclusive of Canadian pooled real return bond funds (March 31, 2014 - $191,803; March 31, 2013 - $203,991).

(1) The average effective yield reflects the estimated annual income of a security as a percentage of its year-end fair value.

(2) Real return bond yields are based on real interest rates. The ultimate yield will be impacted by inflation as it occurs.

The fair value of the Fund is affected by short-term changes in nominal interest rates. Pension liabilities are exposed to the long-term expectation of rate of return of the Fund as well as expectations of inflation and salary escalation.

Interest rate sensitivity:

The Fund's investments in fixed income and derivatives are sensitive to interest rate movements. The following table represents the Fund's assets subject to interest rate changes, average duration due to a one percent increase (decrease) in interest rates and the change in fair value of those assets:

5. Financial instruments (continued):

	March 31, 2014	March 31, 2013
Interest rate sensitive assets	$ 1,471,133	$ 1,486,570
Average duration for 1% increase in interest rates	(6.2)	(6.1)
Sensitivity to 1% increase in interest rates	$ (90,740)	$ (90,127)
Fair value after 1% increase in rates	$ 1,380,393	$ 1,396,443
Average duration for 1% decrease in interest rates	6.1	6.6
Sensitivity to 1% decrease in interest rates	$ 90,740	$ 98,172
Fair value after 1% decrease in rates	$ 1,561,873	$ 1,584,742

(ii) Market price risk

Market price risk is the risk of fluctuation in market values of investments from influences specific to a particular investment or from influences on the market as a whole. Market price risk does not include interest rate risk and foreign currency risk which are also discussed in this note. As all of the Fund's financial instruments are carried at fair value with fair value changes recognized in the statement of changes in financial position, all changes in market conditions will directly result in an increase (decrease) in net assets. Market price risk is managed by the Fund through the construction of a diversified portfolio of instruments traded on various markets and across various industries.

5. Financial instruments (continued):

Market sensitivity:

The Fund's investments in equities are sensitive to market fluctuations. The following table represents the change in fair value of the Fund's investment in public and private equities due to a ten percent increase (decrease) in fair market values as at March 31, 2014:

	March 31, 2014	March 31, 2013
Total equity	$ 1,984,272	$ 1,902,866
10% increase in market values	$ 198,427	$ 190,287
Fair value after 10% increase	$ 2,182,699	$ 2,093,153
10% decrease in market values	$ (198,427)	$ (190,287)
Fair value after 10% decrease	$ 1,785,845	$ 1,712,579

(iii) Credit risk

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for traded financial instrument is not backed by an exchange clearing house. Credit risk associated with the Fund is regularly monitored and analyzed through risk and credit committees.

5. Financial instruments (continued):

Fixed income:

The Fund's Fixed Income Program includes two main sectors: the Government Sector and the Corporate Sector. One benefit to managing these two pieces separately is to provide the opportunity to access physical government bonds when required. When markets are at their utmost distress these may be the only securities available for liquidation. Managing the Corporate Sector and the Government Sector separately allows for the adjustment of credit risk within the Fixed Income Program by changing the allocation between these two sectors-increasing the Government Sector through periods of market duress and increasing the Corporate Sector through periods of stability. This approach also allows the active management of the Corporate Sector and taking active decisions where returns can be maximized. In order to minimize the exposure to credit risk, a comprehensive investment policy has been developed. There were no significant concentrations of credit risk in the portfolio in 2014.

The Fund is exposed to credit risk from the following interest earning investments:

	March 31, 2014	March 31, 2013
Canadian		
Governments	$ 674,992	$ 639,742
Corporate	120,635	207,660
Non-Canadian		
Governments	19,697	57,723
Corporate	668,665	580,898
	$ 1,483,989	$ 1,486,023

The credit risk schedule is exclusive of Canadian pooled real return bond funds (March 31, 2014 - $191,803; March 31, 2013 - $203,991.

5. Financial instruments (continued):

Derivatives:

The Fund is exposed to credit-related losses in the event counterparties fail to meet their payment obligations upon maturity of derivative contracts. The Fund limits derivative contract risk by dealing with counterparties that have a minimum "A" credit rating. In order to mitigate this risk, the Fund:

i) Deals only with highly rated counterparties, with whom International Swap and Derivative Association agreements have been executed, normally major financial institutions with a minimum credit standard of "A" rating, as supported by a recognized credit rating agency; and

ii) Credit risk represents the maximum amount that would be at risk as at the reporting date if the counterparties failed completely to perform under the contracts, and if the right of offset proved to be non-enforceable. Credit risk exposure on derivative contracts is represented by the receivable replacement cost of contracts with counterparties, less any prepayment collateral or margin received, as at the reporting date.

Securities lending:

The Fund engages in securities lending to enhance portfolio returns (see note 12). Through a securities lending program at the Fund's custodian, the Fund lends securities for a fee to approved borrowers. Credit risk associated with securities lending is mitigated by requiring the borrowers to provide high quality collateral. In the event that a borrower defaults completely or in part, the custodian will replace the security at its expense. Regular reporting of the securities lending program ensures that its various components are continuously being monitored.

5. Financial instruments (continued):

(iv) Foreign currency risk

Foreign currency risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund primarily invests in financial instruments and enters into transactions denominated in various foreign currencies, other than its measurement currency. Consequently, the plan is exposed to risk that the exchange rates of the various currencies may change in a manner that has an adverse effect on the value of the portion of the Fund's assets or liabilities denominated in currencies other than the Canadian dollar. Foreign currency risk is hedged by using foreign exchange forward contracts. A policy of hedging up to 100% of the currency exposure helps to mitigate this risk.

The Fund's currency policy allows for the management of risk through hedging strategies that are implemented through the purchase of forward currency contracts. The forward currency contracts offset the Fund's foreign currency exposure, hence reducing the Fund's foreign currency risk.

The Fund's unhedged and hedged currency exposure including Fund non-investment assets and liabilities as at March 31, 2014 is summarized in the following table:

	March 31, 2014 Unhedged	March 31, 2014 Hedged
Canadian dollar	$ 2,316,830	$ 3,736,792
United States dollar	2,160,097	1,124,376
Euro	214,856	62,167
British pound sterling	151,711	36,342
Japanese yen	69,482	35,997
Other	180,464	100,301
	$ 5,093,440	$ 5,095,975

5. Financial instruments (continued):

Currency	March 31, 2013 Unhedged	March 31, 2013 Hedged
Canada dollar	$ 2,285,069	$ 3,411,123
United States dollar	1,854,468	1,052,667
Euro	164,514	69,170
British pound sterling	128,820	50,563
Japanese yen	86,528	43,238
Other	174,292	82,653
	$ 4,693,691	$ 4,709,414

After the effect of hedging, and without change in all other variables, a ten percent increase (decrease) in the Canadian dollar against all other currencies would (decrease) increase the fair value of the Fund, respectively.

5. Financial instruments (continued):

The table below represents these changes in the Fund including non-investment assets and liabilities as at March 31:

	2014	2013
Investment fund assets	$ 5,095,976	$ 4,709,414
10% increase in Canadian dollar	(123,562)	(118,026)
Investment assets after increase	$ 4,972,414	$ 4,591,388
10% decrease in Canadian dollar	151,020	144,255
Investment assets after decrease	$ 5,246,996	$ 4,853,669

(v) Liquidity risk:

Liquidity risk is the risk that the Fund does not have sufficient cash to meet its current payment liabilities and acquire investments in a timely and cost effective manner. Liquidity risk is inherent in the Fund's operations and can be impacted by a range of situation specific and market wide events including, but not limited to, credit events and significant movements in the market. Cash obligations are fulfilled from contributions to the Fund, cash income of the Fund and planned dispositions of Fund assets as required. Cash requirements of the Fund are reviewed on an ongoing basis to provide for the orderly availability of resources to meet the financial obligations of the Fund. The Fund's cash management policy ensures that the quality and liquidity of the investment vehicles within the cash portfolios are consistent with the needs of the Fund.

Approximately 57% of the Fund's investments are in liquid securities traded in public markets, consisting of fixed income and equities. Pooled funds consisting of exchange traded equities are approximately 16% of the Fund's investments and are liquid within 30 days or less. Although market events could lead to some investments becoming illiquid, the diversity of the Fund's portfolios should ensure that liquidity is available for benefit payments. The Fund also maintains cash on hand for liquidly purposes and for payment of Plan liabilities. At March 31, 2014, the Fund had cash in the amount of $42,331; March 31, 2013 - $35,508).

6. Present value of expected instalment payments:

The present value of expected instalment payments of $404 (March 31, 2013 - $470) represents the present value of outstanding employee and employer contributions as at March 31, 2014 that are due as a result of service buy-backs that are being paid for through payroll deductions. The liabilities associated with this service are already recognized in the accrued pension benefit obligation.

7. Accrued pension obligation:

The actuarial present value of the accrued pension obligation is an estimate of the value of pension obligations of the Plan in respect of benefits accrued to date for all active and inactive members including pensioners and survivors. As the experience of the Plan unfolds, and as underlying conditions change over time, the actual value of accrued benefits payable in the future could be materially different than the actuarial present value.

Actuarial valuations of the Plan are conducted annually, and provide an estimate of the accrued pension obligation (Plan liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Mercer, performed a valuation as at December 31, 2013 and issued their report in June 2014. The report indicated that the Plan had an unfunded liability of $95,106 (December 31, 2012 – unfunded liability of $181,322).

The actuarial valuation calculates liabilities for each member on the basis of service earned to date and the employee's projected five-year average salary at the expected date of retirement or on the pension in pay, for retired members and survivors. The projected unit credit method was adopted for the actuarial valuation to determine the current service cost and actuarial liability. Under this method, the cost of providing benefits to an individual member will increase as the individual member ages and gets closer to retirement.

The assumed increases in the real rate of pensionable earnings (i.e. increase in excess of the assumed inflation rate) are dependent on the attained age of the members. These rates are based on recent experience of the Plan and current expectations for future years.

Demographic assumptions are used to estimate when future benefits are payable to members and beneficiaries, including assumptions about mortality rates, termination rates, and patterns of early retirement. Each of these assumptions is updated periodically, based on a detailed review of the experience of the Plan and on the expectations for future trends.

7. Accrued pension obligation (continued):

The major economic and demographic assumptions used in the 2013 valuation remained unchanged from those used in the 2012 valuation, with the exception of the mortality improvement projection scale, which changed from 100% of scale AA to 150% of scale AA.

	Valuation December 31, 2013	Valuation December 31, 2012
Inflation	2.25% per annum	2.25% per annum
Salary increase	2.25% per annum plus merit ranging from 0.0% to 2.5%	2.25% per annum plus merit ranging from 0.0% to 2.5%
Total rate of return on assets (i.e. discount rate)	6.50% per annum	6.50% per annum
Average retirement age	35% - earliest age for unreduced pension, but not before age 54 (age 55 for a member first hired on or after April 6, 2010);	35% - earliest age for unreduced pension, but not before age 54 (age 55 for a member first hired on or after April 6, 2010);
	65% - earlier of age 60 and 35 years of service	65% - earlier of age 60 and 35 years of service
Mortality	UP-94 projected to 2014 with generational mortality improvements using 150% of scale AA	UP-94 projected with generational mortality improvements using 100% of scale AA

7. Accrued pension obligation (continued):

Valuations prior to 2010 reported assets on a market value basis. Commencing with the December 31, 2010 valuation, assets are reported on a smoothed value basis. The actuarial value of net assets of the Fund is established such that investment returns above or below the long-term rate of return assumption in effect for the year (December 31, 2012 and thereafter - 6.50%; December 31, 2011 – 6.60%) is recognized over five years to smooth fluctuations in the market value of net assets.

As at March 31, 2014, the actuarial adjustment was $280,932 (March 31, 2013 - $177,513) which reflected the fact that there was a net gain on investments relative to assumptions that had not yet been recognized.

The accrued pension obligation as at March 31 is determined by an extrapolation performed by the Plan's actuary of the Plan's liabilities from December 31 of the immediately preceding calendar year, as reflected in the actuarial valuation. The following table reflects the extrapolated funding surplus (deficit) as at March 31, 2014 and as at March 31, 2013.

	2014 Extrapolated	2013 Extrapolated
Actuarial value of assets	$ 4,823,167	$ 4,532,093
Accrued pension obligation	4,890,120	4,686,652
Funding deficit	$ (66,953)	$ (154,559)

7. Accrued pension obligation (continued):

As at March 31, 2014 and March 31, 2013, the surplus of the Fund's actuarial value of net assets available for benefits over accrued pension obligation is as follows:

	2014 Extrapolated	2013 Extrapolated
Net assets available for benefits	$ 5,103,694	$ 4,709,136
Present value of expected instalment payments	404	470
Fair value of net assets available for benefits	5,104,098	4,709,606
Actuarial value adjustment	(280,931)	(177,513)
Actuarial value of net assets available for benefits	4,823,167	4,532,093
Accrued pension obligation	4,890,120	4,686,652
Funding deficit of actuarial value of net assets available for benefits over accrued benefit obligation	(66,953)	(154,559)
Reversal of actuarial value adjustment	280,931	177,513
Surplus of net assets available for benefits over accrued pension benefit obligation	$ 213,978	$ 22,954

8. Commitments:

The Fund has committed capital to investment in infrastructure over a definitive period of time. The future commitments are generally payable on demand based on the capital needs of the related investment. The table below indicates the capital amount committed and outstanding as at March 31, 2014.

	Committed	Outstanding
Canadian infrastructure	$ 30,000 CAD	$ 4,073 CAD
Non-Canadian infrastructure	$ 225,000 USD	$ 107,037 USD
Non-Canadian real estate	$ 25,000 USD	$ 13,573 USD

9. Contributions:

	2014	2013
Employer:		
Matched current service	$ 87,339	$ 83,565
Matched past service	922	1,190
	88,261	84,755
Employee:		
Matched current service	87,296	83,613
Unmatched current service	519	564
Matched past service	984	1,190
Unmatched past service	1,737	2,624
	90,536	87,991
	$ 178,797	$ 172,746

10. Benefits:

	2014	2013
Benefits paid to retired members	$ 235,302	$ 222,575
Benefits paid to survivors	33,975	32,799
Refunds paid to terminated members	9,927	10,847
	$ 279,204	$ 266,221

11. Administrative expenses:

The Plan is charged by its service providers for administrative and professional services, including its administrator, Nova Scotia Pension Services Corporation (2013 - Nova Scotia Pension Agency) a related party, for plan administration and investment services. The following is a summary of these administrative expenses:

	2014	2013
Plan administration:		
Office and administration services	$ 3,094	$ 3,214
Legal services	72	230
Actuarial services	37	51
Audit fees	36	38
Other professional services	23	-
	3,262	3,533
Investment expenses:		
Investment management fees	12,166	11,129
Transaction costs	1,015	843
Custody services	515	572
Advisory services	247	264
Information services	187	81
	14,130	12,889
HST	1,626	-
	$ 19,018	$ 16,422

Prior to April 1, 2013, the Province of Nova Scotia paid all Plan expenses and recovered the costs from the Plan. HST was not charged to the Plan. Effective April 1, 2013, the Plan became subject to HST after its administrator, Nova Scotia Pension Agency devolved from the Province of Nova Scotia and became Nova Scotia Pension Services Corporation (note 13).

11. Administrative expenses (continued):

Investment management and performance fees included in the unrealized gains / (losses) on investment vehicles consisting of pooled funds, limited partnerships and holding companies are estimated at $20,502 (2013 - $18,792). These fees are not direct expenses of the Plan and therefore are not included in administrative expenses.

12. Securities lending:

The Fund participates in a securities lending program where it lends securities that it owns to third parties for a fee. For securities lent, the Fund receives a fee and the borrower provides readily marketable securities of higher value as collateral which mitigates the credit risk associated with the program. When the Fund lends securities, the risk of failure by the borrower to return the loaned securities is alleviated by such loans being continually collateralized. The securities lending agent also provides indemnification if there is a shortfall between collateral and the lent security that cannot be recovered. The securities lending contracts are collateralized by securities issued by, or guaranteed without any limitation or qualification by, the government of Canada or the governments of other countries.

The following table represents the estimated fair value of securities that were loaned out and the related collateral:

	March 31, 2014	March 31, 2013
Securities on loan	$ 483,691	$ 467,538
Collateral held	$ 518,779	$ 497,034

13. Related party transactions:

Investments held in the Fund include debentures of the Province of Nova Scotia and a promissory note issued by PSS Investments I Inc., a wholly-owned subsidiary. The total fair value of these investments is $12,374 (0.2% of total assets) as at March 31, 2014 (2013 - $12,950 (0.2% of total assets)).

13. Related party transactions (continued):

The fair values of these investments are shown in the table below:

	2014	2013
Province of Nova Scotia:		
Bonds and debentures	$ 5,759	$ 6,558
Promissory note	6,984	-
Total fair value	12,743	6,558
% of total assets	0.3	0.1
PSS Investments I Inc. promissory note:		
Fair value	6,615	6,392
% of total assets	0.1	0.1
Total fair value	$ 19,358	$ 12,950
% of total assets	0.4	0.2

The Province of Nova Scotia is a related party via contributing employers. The total fair value of Province of Nova Scotia bonds, debentures and money market is $12,743 (0.3% of total assets) as at March 31, 2014 (2013 - $6,558 (0.1% of total assets)).

Effective January 26, 2011, PSS Investments I Inc., a wholly owned subsidiary of Public Service Superannuation Plan, entered into a promissory note as bridge financing for the acquisition of an investment property in the amount of $5,750 payable on demand to its shareholder, Public Service Superannuation Plan. Interest is calculated monthly at a rate of 5.13% per annum, with interest of $295 (2013 - $295) accrued to March 31, 2014. The promissory note will be paid in full at the time subsequent mortgage financing is obtained.

On April 1, 2013, the Plan's administrator Nova Scotia Pension Agency, devolved from the Province of Nova Scotia and became Nova Scotia Pension Services Corporation, an entity co-owned by Public Service Superannuation Plan Trustee Incorporated and Teachers' Pension Plan Trustee Inc. for the purpose of providing pension plan administration and investment services. Nova Scotia Pension Services Corporation charges the Plan at cost, an amount equal to the expenses incurred in order to service the Plan. The administration expense charged to the Plan from April 1, 2013 to March 31, 2014 was $3,414.

13. Related party transactions (continued):

As Nova Scotia Pension Services Corporation operates on a cost recovery basis, the Plan advances cash as required to pay upcoming expenses. As at March 31, 2014 the cash advance outstanding due to the Plan was $306.

In 2013, Nova Scotia Pension Services Corporation initiated a technology project funded via loans from Teachers' Pension Plan and Public Service Superannuation Plan. The costs associated with the construction, development and betterment of technology assets were capitalized and will be depreciated upon completion of the project. As the assets are depreciated an amount equal to the depreciation will be charged back to Public Service Superannuation Plan and Teachers' Pension Plan offsetting the loans from the related entities. As at March 31, 2014, the loan outstanding due to the Plan was $1,383 (2013 - $149).

14. Capital management:

The main objective of the Fund is to sustain a certain level of net assets in order to meet the pension obligations of the Plan. The PSSPTI (note 1) manages the contributions and benefits as required by the Public Service Superannuation Act and its related Regulations. The PSSPTI approves and incurs expenses to administer the Plan in accordance with the Act.

Under the direction of the PSSPTI, the Fund provides for the short term financial needs of current benefit payments while investing members' contributions for the longer term security of pensioner payments. The PSSPTI exercises duly diligent practices and has established written investment policies and procedures, and approval processes. Operating budgets, audited financial statements, yearly actuarial valuations and reports, and as required, the retention of supplementary professional, technical and other advisors, are part of the PSSPTI Fund governance structure.

The Fund fulfils its primary objective by adhering to specific investment policies outlined in its Statement of Investment Policies and Goals ("SIP&G"), which is reviewed annually. The Fund manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds (current year's employee and employer contributions) in accordance with the SIP&G. Increases in net assets are a direct result of investment income generated by investments held by the Fund and contributions into the Fund by eligible employees and participating employers. The main use of net assets is for benefit payments to eligible Plan members.

15. Comparative figures:

Certain 2013 comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.